

IN THE UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF VIRGINIA

Alexandria Division

UNITED STATES OF AMERICA)	
)	
v.)	CRIMINAL NO. 02-566-A
)	
KATHLEEN M. BRASSELL,)	
)	
Defendant.)	

STATEMENT OF FACTS

The United States and the defendant agree that the following facts are true. Had this matter gone to trial, the United States would have proven the following beyond a reasonable doubt through witnesses, testimony, and other competent and admissible evidence:

The defendant, KATHLEEN M. BRASSELL ("BRASSELL"), was employed by the Federal government from November 1975 until September 2002. Since 1984, defendant BRASSELL worked as an employee of the Graphics and Presentations Division, Washington Headquarters Services, U.S. Department of Defense ("DoD"), Pentagon, within the Eastern District of Virginia. Defendant's employment with the United States was terminated on September 25, 2002.

Since approximately 1995, defendant BRASSELL was the Director of the Graphics and Presentations Division. Her duties included the supervision of approximately fourteen employees who

provide audio and video production support, signage, artwork, and other types of graphics-related support to the Department of Defense, including the office of the Secretary of Defense. As part of her duties, defendant BRASSELL supervised employees' use of the government charge cards used to purchase goods and services to support their office. Defendant BRASSELL was also personally assigned a government charge card.

In 1994, the Federal government began widespread use of government charge cards to help streamline certain government purchases of commercial products and services. The DoD authorized various banks to issue government charge cards to its employees. DoD charge cards provide employees who have received authorization the ability to purchase goods and services for the DoD without requiring the time-consuming process of a contract competition and award. DoD employees are not permitted to use the government charge card to purchase goods or services for personal use. Government charge cards have different single purchase limits, but the majority of DoD charge cards are limited to \$2,500 for a single purchase.

Defendant BRASSELL had a government charge card issued to her with a single purchase limit of \$50,000.00 and a monthly purchasing limit of \$600,000.00.

From on or about May 1999, and continuing until on or about August 20, 2002, defendant BRASSELL knowingly and intentionally participated in a scheme to defraud the United States by using her government-issued charge card to make false purchases of goods and services from a company known to the United States. The company known to the United States ("the company") was created solely to facilitate the fraud in this case and was owned and operated by a person known to the United States ("the co-schemer"). The co-schemer agreed to share with BRASSELL the money which the company received for the purchase of fictitious goods and services. Defendant BRASSELL received her share of the money generated by this scheme in the form of cash and cashier's checks from the co-schemer. Defendant BRASSELL received specific amounts of cash sent to her directly, as well as cashier's checks made payable to her creditors.

From May 1999 to August 2002, defendant BRASSELL and her co-schemer made approximately 522 false purchases of goods and services from the company on defendant BRASSELL's government charge card totaling approximately \$1,711,816.00.

The co-schemer made frequent and regular charges to defendant BRASSELL's government charge card. This was agreed to by BRASSELL and the co-schemer and at times done at the specific direction of defendant BRASSELL. The fraud was facilitated by the use of computer email, telephone calls, and by the United

States Mails. Defendant BRASSELL used email directed to her co-schemer and provided that person with specific amounts to be charged to her government charge card or directed that person to charge unspecified amounts at regular intervals to the government charge card. No goods or services were ever received by the DoD from the company for any charges made on defendant BRASSELL's government charge card.

Defendant BRASSELL and her co-schemer agreed to make multiple charges to defendant BRASSELL's government charge card and agreed to spread the charges out to avoid detection. This resulted in approximately ten false transactions per month for an average loss to the United States of \$30,000.00 per month.

In a January 2, 2001, email from defendant BRASSELL to her co-schemer, defendant BRASSELL provided a yearly outline of the fraud scheme:

If the actual amount for 2000 was \$500k, then each of us got 1/3 of that. That's about \$165k each. I suggest we drop it down to maybe \$140k each. If that's not big enough of a drop, let me know. I don't want to raise eyebrows with numbers changing too much.

The co-schemer received payment for the charges made on defendant BRASSELL's government charge card by deposits made by the bank which issued the card into a Merchant Bank account held by the company. The Merchant Bank account was initially held with the Bank of America and later with Washington Mutual Bank in

Sammamish, Washington. The issuing bank then billed and was reimbursed by the United States for the false charges.

On or about June 6, 2002, auditors from the DoD Office of Inspector General ("DoD-OIG") began auditing government charge card purchase records for employees of the Graphics and Presentations Division, including defendant BRASSELL, for the period October 2000 to January 2002. On or about July 16, 2002, at the request of auditors from the DoD-OIG, defendant BRASSELL provided her government charge card statements, invoices, and other supporting documentation for purchases made by her for this period. Some of the materials provided to the auditors by defendant BRASSELL were false and fictitious and were for the purpose of concealing the scheme.

In order to conceal the false and fraudulent activities, defendant BRASSELL created false invoices for the false charge card transactions. These false invoices were created on a computer defendant BRASSELL personally owned as well as a government computer assigned to her. The goods and/or services represented in each of the false invoices created by defendant BRASSELL for the audit were never provided or received by the DoD. The work which the company had falsely invoiced to the United States was either completed by DoD employees or contractors, or consisted of totally false projects which were not requested or completed. During the time of the audit, defendant submitted 293 false and fraudulent invoices for goods

and services. These invoices caused \$979,450.00 in losses to the United States.

In regard to one project, in order to avoid detection by the DoD-OIG audit, defendant BRASSELL submitted approximately 47 false invoices which reflected that the company had created, and had billed the DoD for, on-site graphics services for the Pentagon Family Assistance Center (PFAC). The PFAC was located at the Sheraton Hotel in Crystal City and was created to provide counseling and support to victims and survivors of the September 11, 2001, attack on the Pentagon. The defendant created false vouchers for biography boards for victims as well as graphic support for the October 11, 2001, Pentagon Memorial Service. The 47 false vouchers for this project caused approximately \$136,250.00 in loss to the United States.

The defendant agrees that she willfully, knowingly and unlawfully did steal, purloin, embezzle and convert \$1,711,816.00 in United States Currency, which was the property of the United States.

Respectfully submitted,

Paul J. McNulty
United States Attorney

By: _____
Robert C. Erickson
Assistant United States Attorney

SEEN AND AGREED:

Kathleen M. Brassell
Defendant

Ivan D. Davis, Esquire
Counsel for Defendant